



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE  
AUDITOR-CONTROLLER

January 21, 2014

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **HILLVIEW MENTAL HEALTH CENTER, INC. – A DEPARTMENT OF  
MENTAL HEALTH SERVICE PROVIDER – CONTRACT COMPLIANCE  
REVIEW**

We completed a contract compliance review of Hillview Mental Health Center, Inc. (Hillview or Agency), which covered a sample of billings from Fiscal Years (FY) 2011-12 and 2012-13. The Department of Mental Health (DMH) contracts with Hillview to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans.

The purpose of our review was to determine whether Hillview provided the services outlined in its County contract and appropriately spent DMH Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with its contract and other applicable guidelines.

DMH paid Hillview approximately \$7.6 million on a cost-reimbursement basis for FY 2012-13. The Agency provides services in the Third Supervisorial District.

**Results of Review**

Hillview's staff had the required qualifications to provide DMH Program services, and the Agency recorded and deposited DMH payments timely. However, Hillview charged DMH \$655,904 in questioned costs and did not always comply with the County contract requirements. Specifically, Hillview:

- Charged DMH \$317,994 in FY 2011-12 and \$337,910 in FY 2012-13 for rent paid to five facilities owned by Valley Housing Foundation (Foundation), a related organization. Hillview did not provide documentation to support that their rental costs did not exceed the actual costs incurred by the related organizations in accordance with Office of Management and Budget (OMB) Circular A-122. Hillview and organizations who own the property are controlled by a common board.

After the fieldwork, Hillview management provided the Foundation's income statement, and indicated that Foundation's actual costs for the five facilities was approximately \$324,000 for 2012. However, the \$324,000 included their operation expenses, such as salaries and benefits, utilities, accounting fees, and rental costs paid to another related organization. The County contract only allows the actual costs of owning the facilities, such as property tax and mortgage interests, of the related organization to be recognized as rental costs.

*Hillview's attached response indicates that the Agency disagrees with our finding on their related party rental costs. Specifically, Hillview management indicated that the Foundation's operational costs should be charged to DMH since the costs were related to the five facilities. However, the County contract does not allow such costs to be included.*

- Billed DMH \$766 without documentation to support the billings.

*Hillview's attached response indicates that the Agency agrees to repay DMH \$766.*

- Did not complete all elements of the Assessments, Client Care Plans, and Informed Consents in accordance with the DMH contract requirements.

*Hillview's attached response indicates that the Agency provided training to its treatment staff and implemented procedures to ensure that their documentation and services billed are in accordance with the County contract requirements.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with Hillview and DMH. Hillview's attached response indicates that they agree with our findings on unsupported billings and chart documentation. However, Hillview does not agree with the related party rental costs finding. DMH indicated that they will work with Hillview management to resolve the \$655,904 in questioned costs, and ensure that our recommendations are implemented.

We thank Hillview management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB:sk

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Eva S. McCraven, Ph.D., Board Chair and President and CEO, Hillview  
Public Information Office  
Audit Committee

**HILLVIEW MENTAL HEALTH CENTER, INC.  
DEPARTMENT OF MENTAL HEALTH  
CONTRACT COMPLIANCE REVIEW  
FISCAL YEARS 2011-12 AND 2012-13**

**BILLED SERVICES**

**Objective**

Determine whether Hillview Mental Health Center, Inc. (Hillview or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their contract and related guidelines.

**Verification**

We selected 45 (1%) of the 6,096 approved Medi-Cal billings for March and April 2012, which were the most current billings available at the time of our review (April 2013). We reviewed the Assessments, Client Care Plans, and Progress Notes, and Informed Consent forms maintained in the clients' charts for the selected billings. The 45 billings represent services provided to 25 clients.

**Results**

Hillview overbilled DMH for six Mental Health Services billings totaling \$766. Specifically the Agency billed for:

- Five billings for \$578 in which the Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the Client Care Plans objectives, as required by the DMH Provider's Manual, Chapter 1, Page 1-9 and Chapter 2, Page 2-2. According to the DMH Provider's Manual, each chart note must include a description of service provided, what was attempted and/or accomplished during the contact toward the attainment of a treatment goal.
- One billing for \$188 in which there was no documentation to support the billing in the client's chart, as required by the DMH Provider's Manual, Chapter 2, Page 2-1. According to the DMH Provider's Manual, every service contact for Mental Health Services must be documented.

In addition, the Agency needs to improve the quality of documentation in their Assessments, Client Care Plans, and Informed Consent forms in accordance with the DMH contract requirements.

**Assessments**

Hillview did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the

diagnosis in three (12%) of the 25 Assessments reviewed, as required by the DMH Provider's Manual, Chapter 2, Page 2-7. According to the DMH Provider's Manual, the initial clinical assessment should contain a DSM diagnosis that is consistent with the presenting problems, history, mental status evaluation, and/or other assessment form. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them. The DMH contract requires the Agency to follow the DSM when diagnosing clients.

### Client Care Plans

Hillview did not complete some elements of five (20%) of the 25 Client Care Plans in accordance with their DMH contract. Specifically:

- One Client Care Plan did not contain a Mental Health Services objective as required by the DMH Provider's Manual, Chapter 1, Page 1-10. According to the DMH Provider's Manual, when Mental Health Services are provided, they must be associated with an objective. We noted a similar finding during our prior monitoring review.
- Three Client Care Plans did not contain objectives for Mental Health Services that related to the presenting problem, diagnosis, or functional impairment documented in the Assessment as required by the DMH Provider's Manual, Chapter 1, Page 1-11. According to the DMH Provider's Manual, Client Care Plans should include objectives that relate to the identified mental health impairments and diagnosis/symptomology as documented in the Assessment. We noted a similar finding during our prior monitoring review.
- Three Client Care Plans for Targeted Case Management Services did not contain specific or measurable objectives as required by the DMH Provider's Manual, Chapter 1, Page 1-11. According to the DMH Provider's Manual, Client Care Plans should include clinical/case management objectives that are SMART (specific, measurable/quantifiable, achievable, realistic, and time bound).

The number of incomplete Client Care Plans above exceeds the total number of the Client Care Plans in question because some Client Care Plans contained more than one deficiency.

### Informed Consent Forms

Hillview did not maintain an Informed Consent form for one (13%) of the eight client charts in which the client received treatment with psychotropic medication as required by the DMH Provider's Manual, Chapter 2, Page 2-11. According to the DMH Provider's Manual, a voluntary client shall be treated with psychotropic medications only after s/he has been informed by the physician of his/her right to accept or refuse such medications. The Informed Consent form documents the client's agreement to a

proposed course of treatment based on receiving clear, understandable information about the treatments' potential benefits and risks. We noted a similar finding during our prior monitoring review.

### **Recommendations**

**Hillview Mental Health Center, Inc. management:**

- 1. Repay the Department of Mental Health \$766.**
- 2. Ensure that Assessments and Client Care Plans are completed in accordance with their Department of Mental Health contract.**
- 3. Ensure that Informed Consent is obtained and documented prior to treatment with psychotropic medication.**

### **STAFFING QUALIFICATIONS**

#### **Objective**

Determine whether Hillview treatment staff had the required qualifications to provide the mental health services.

#### **Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 16 (39%) of the 41 Hillview treatment staff who provided services to DMH clients during March and April 2012.

#### **Results**

Each employee reviewed had the qualifications required to provide the billed services.

#### **Recommendation**

**None.**

### **CASH/REVENUE**

#### **Objective**

Determine whether Hillview properly recorded revenue in the Agency's financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

**Verification**

We interviewed Hillview personnel, and reviewed the Agency's financial records and February 2013 bank reconciliation.

**Results**

Hillview properly recorded revenue in their financial records, deposited DMH payments timely, and Agency management reviewed and approved bank reconciliations timely.

**Recommendation**

None.

**EXPENDITURES****Objective**

Determine whether Hillview's Cost Allocation Plan (Plan) complied with their County contract, and if expenditures charged to the DMH Program were allowable, properly documented, and accurately billed.

**Verification**

We reviewed the Agency's Plan and its financial records for 43 non-payroll expenditures, totaling \$71,956, charged to the DMH Program from October 2011 through January 2013. We also interviewed Agency personnel.

**Results**

Generally, Hillsides' sampled expenditures were allowable, properly documented, and accurately billed, and Hillview prepared its Plan in compliance with their DMH contract, and allocated shared costs appropriately. However, Hillview charged DMH \$317,994 in Fiscal Year (FY) 2011-12 and \$337,910 in FY 2012-13 for rent paid for five facilities owned by related organizations without documentation to support that the rental costs did not exceed the actual costs incurred by the related organizations as required by Office of Management and Budget (OMB) Circular A-122. Specifically, the five facilities are owned by Valley Housing Foundation (Foundation) and C & E Properties, and both organizations are related by common control. Although Hillview provided their fair market value assessments of the facilities, the Agency did not provide documentation related to actual costs incurred by their related organizations.

Centers for Medicare and Medicaid Services (CMS) Provider Reimbursement Manual 15-1 Part 1, Chapter X Section 1011.5 and the OMB Circular A-122 Attachment B, Section 43.c require a rental cost for leasing a facility from a related organization be limited to the related organization's actual costs of ownership of the facility, such as

depreciation, interest on the mortgage, real estate, and other expenses attributable to the leased facility. The Auditor-Controller Contract Accounting and Administration Handbook A.3.3 requires that rental costs paid to a related party will be disallowed to the extent the payments exceed the lower of actual costs or the reasonable costs. OMB Circular A-122 defines a reasonable cost as a cost, in its nature or amount, which does not exceed what would be incurred by a prudent person under the same condition.

After the fieldwork, Hillview management provided the Foundation's income statement, and indicated that Foundation's actual costs for the five facilities was approximately \$324,000 for calendar year 2012. However, the costs they reported included their operation expenses, such as salaries and benefits, utilities, accounting fees, and rental costs paid to C & E Properties, another related organization. The County contract allows only the actual costs of owning the facilities, such as property tax and mortgage interests, to be recognized as rental costs.

### **Recommendations**

#### **Hillview Mental Health Center, Inc. management:**

- 4. Provide documentation to support that the \$655,904 (\$317,994 + \$337,910) is lower of the related organizations' actual costs of owning the five facilities and reduce Fiscal Years 2011-12 and 2012-13 Cost Reports by the unallowable amounts, and repay the Department of Mental Health for any excess amount received.**
- 5. Ensure that related party transactions are charged at lower of actual costs of the related party or reasonable costs a prudent buyer would pay for as rental costs.**

#### **The Department of Mental Health management:**

- 6. Work with Hillview management to ensure that their rental costs paid to the related organizations in the Cost Reports prior to Fiscal Year 2011-12 are reduced to the lower amount of actual costs of the related organizations or reasonable costs.**

### **FIXED ASSETS AND EQUIPMENT**

#### **Objective**

Determine whether Hillview's fixed assets and equipment purchased with DMH funds were used for the Program and adequately safeguarded.



**Verification**

We interviewed Hillview personnel and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of 13 items the Agency used for the DMH Program and charged DMH \$3,832 in depreciation costs.

**Results**

Hillview adequately safeguarded and used the items sampled for the DMH Program.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether Hillview appropriately charged payroll costs to the DMH Program, and maintained personnel files as required.

**Verification**

We compared the payroll costs for 16 employees, totaling \$86,654 for January 2013, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for 12 Program staff.

**Results**

Hillview appropriately charged payroll costs to the DMH Program, and maintained personnel files as required.

**Recommendation**

None.

**COST REPORT****Objective**

Determine whether Hillview's FY 2011-12 Cost Report reconciled to their financial records.

**Verification**

We compared Hillview's FY 2011-12 Cost Report to their financial records.

**Results**

Hillview's FY 2011-12 Cost Report reconciled to their financial records.

**Recommendation**

**None.**

December 3, 2013

Wendy L. Watanabe, Auditor-Controller  
Los Angeles County Department of Auditor-Controller  
Kenneth Hahn Hall Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-3873



Re: Agency Response to Auditor-Controller Compliance Review

Dear Ms. Watanabe:

Hillview Mental Health Center, Inc. has reviewed the Auditor-Controller's Monitoring Report (A-C Report) for contracted Medi-Cal transactions provided during the Fiscal Years 2011-12 and 2012-13. The A-C Report was received by Hillview via e-mail on November 19, 2013 from Susan Kim, Principal Accountant-Auditor, County of Los Angeles Auditor-Controller, Contract Monitoring Division. For the Program Services review, we were pleased to see that overall Hillview provided the clinical services outlined in the contract, the agency employed qualified staff to provide the services billed and that our consumers felt the services met their expectations. For the Fiscal review, we were pleased that the review of Hillview's cash/revenue, expenditures (with one exception), fixed assets/equipment, payroll/personnel and cost report met the Auditor/Controller's standards. The fiscal finding related to expenditures will be addressed with a Plan of Correction as part of this response. This report is a formal response by Hillview Mental Health Center that explains the corrective actions for Program and Fiscal Services that have been imposed to address the findings and recommendations of the Auditor-Controller Contract Compliance Review.

**HILLVIEW MENTAL HEALTH CENTER**  
**Program Services**

Attachments included in this report illustrate the systems processes that have been developed by Hillview Mental Health Center Management and the Quality Improvement Department to enhance our tracking of staff documentation and billing systems. The results of the audit indicated that Hillview maintained documentation to support the majority of the service minutes sampled; however, components of the Assessments, Client Care Plans, Progress Notes, and Informed Consents were not in accordance with the County contract requirements. We have found the Auditor-Controller Compliance Review to be an educational and beneficial experience in developing quality services for our agency and the people we serve in the community. Hillview has taken the appropriate steps in ensuring compliance with our County contract with the Department of Mental Health.

**HILLVIEW MENTAL HEALTH CENTER  
Program Services  
(Continued)**

**Auditor – Controller Recommendations:**

1. Repay the Department of Mental Health \$766.00.
2. Ensure that Assessments and Client Care Plans are completed in accordance with their Department of Mental Health contract.
3. Ensure that Informed Consent is obtained and documented prior to treatment with psychotropic medications.

**Corrective Plan of Action:**

Based upon the Auditor-Controller's review, the Quality Improvement (Q.I.) Department has taken the following measures to improve the quality of the documentation:

- Hillview will repay \$766.00 to the Department of Mental Health. Furthermore, the Q.I. conducts a Peer Audit Review System on a monthly basis with the goal of reviewing 15-20% of a random sample of medical records per program. The form has been revised to include recommendations provided by the audit related to the Client Care Plan and the Progress Notes.
- The Q.I. Department performed an In-service Training on October 9, 2013 (Attachment #1 & #2) regarding the preliminary findings of the Auditor-Controller Monitoring visit. On-going In-service Trainings will continue to be provided for all clinical and counseling staff with post-tests on the topic of Quality Documentation and Charting, to include documenting the contribution of each staff person involved in services and accomplishments towards the client's goal(s).
- Hillview assigned a Quality Assurance Clerk to monitor the completion of the Informed Consent forms on a daily basis. The Q.A. clerk will give monthly feedback to the CEO and the Q.I. Director as to the compliance of the psychiatrists in the completion of the form.
- Hillview's Medical Records Department has continued a process in which Informed Consents are clipped to the outside of the client's chart prior to each medication support visit, in an effort to assist the psychiatrist in completing the form.
- The Hillview Administration plans on informing all staff who had any audit findings regarding these concerns, and a copy of that report will be kept in the personnel file with the Human Resources Department.
- Cycle Review Notifications have been distributed to all clinical and counseling staff by the Quality Improvement Department monthly to inform the staff when Client Care Coordination Plans were due. In addition, the Q.I. Department has been monitoring the completion of all Client Care Plans and verifies client or responsible party signature on the plan.

**HILLVIEW MENTAL HEALTH CENTER**  
**Program Services**  
**(Continued)**

- Cycle Review updates are given monthly to Program Directors and Hillview management to monitor the completion of the Client Care Plans.
- Hillview's Quality Improvement Department implemented processes to assist in the development of the staff and to monitor services billed in accordance with our contract with the Los Angeles County Department of Mental Health.

There were no recommendations indicated for the Staffing Levels or the Staffing Qualifications.

**HILLVIEW MENTAL HEALTH CENTER**  
**Fiscal Services**

Hillview received three findings related to expenditures for rent charges from a related party. Our Plan of Correction will address Findings 4 and 5. Finding 6 is a directive to the Department of Mental Health, so no response will be provided by Hillview.

Please note that Hillview is not in agreement with the Auditor-Controller's narrow interpretation of what constitutes rent cost. Hillview has reviewed Valley Housing Foundation's (Foundation's) costs for the five properties in question for calendar year 2012 and feel that the Foundation's costs in question are appropriate and would be classified as either support services or rent. The Foundation exists to benefit Hillview Mental Health Center, Inc's clients by providing housing that may not otherwise be available due to the difficulty locating housing opportunities for a special needs population in the community. Hillview has only been successful providing the housing based on the related party relationship.

The Foundation's operational costs are incurred in order to provide this special needs housing to Hillview clients. If the Foundation did not provide the administrative support services that the Foundation has classified as rent, Hillview Mental Health Center, Inc. would have to incur the operational expenses directly in order for the housing to be operated. If the costs the Foundation has classified as "rent" do not meet the definitions of the Auditor-Controller Contract Accounting and Administration Handbook (Auditor-Controller Handbook), OMB Circular A-122 (OMB A-122) and the Centers for Medicare and Medicaid Services Provider Reimbursement Manual (CMS), Hillview feels that the costs should be reclassified as administrative support services and are still an appropriate cost as reported in Hillview's cost reports.

**HILLVIEW MENTAL HEALTH CENTER**  
**Fiscal Services**  
**(Continued)**

**Auditor- Controller Recommendations:**

4. Provide documentation to support that the \$655,904 (\$317,994 + \$337,910) is lower of Valley Housing Foundation and C & E Properties' actual costs of owning the five facilities and reduce Fiscal Years 2011-12 and 2012-13 Cost Reports by unsupported amounts, and repay the Department of Mental Health for any excess amount received.
5. Ensure that related party transactions are charged at lower of actual costs of the related party or reasonable costs a prudent buyer would pay for as rental costs.

The Department of Mental Health management :

6. Work with Hillview management to ensure that their rental costs paid to the Valley Housing Foundation (Foundation) reported in the Cost Reports prior to FY 2011-12 are reduced to the lower amount of actual costs of Valley Housing Foundation and C&E Properties or reasonable costs.

**Corrective Plan of Action:**

- **Finding 4:**

Hillview will ask Valley Housing Foundation (Foundation) to prepare a complete accounting specific to each of the five locations for FY 2011-12 and FY 2012-13 to support the cost claimed. Hillview has contacted the Foundation's accountant to prepare such an accounting. The accountant has requested that they be allowed to submit this documentation by February 28, 2014 due to the fact that the Foundation's accounting system does not currently record expenses by location and a study will need to be prepared for two complete fiscal years. Please note that the Foundation is only one of the accountant's clients, and Hillview feels that the request for a three month time period to prepare the analysis is reasonable.

**Finding 5:**

Hillview will ensure that related party transactions are charged in accordance with the requirements of the A-C Handbook, OMB A-122 and CMS guidelines. Please note that Hillview has already provided the Auditor Controller auditors with documentation that the rental rates are at or below Fair Market value in the geographic area.

In conclusion, Hillview Mental Health Center appreciates the professionalism and assistance of the Auditor-Controller Monitoring Division during this audit process. Improvements to the documentation procedures will enhance the services we provide to the consumers and their families in our community.

Please feel free to contact me at (818) 896-1161, extension 211, if further clarification is needed. Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script, reading "Eva S. McCraven".

Eva McCraven, Ph.D.  
Chief Executive Officer

Encls.

C: Beth Meltzer, MS  
Julie Jones, LMFT  
Nagy Said, BA  
Shirley Nerdum, CPA  
Lisa Wong, MA  
Susan Kim (via e-mail)